

**Pacific Financial Inclusion Programme (PFIP)
¹ NARRATIVE PROGRESS REPORT
 REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2018**

<p align="center">Programme Title & Project Number</p> <p>Programme Title: Pacific Financial Inclusion Programme</p> <p>• MPTF Office Project Reference Number:³ 00092020</p>	<p align="center">Country, Locality(s), Priority Area(s) / Strategic Results²</p> <p><i>Country/Region</i></p> <p>Fiji, Papua New Guinea (PNG), Vanuatu, Tonga, Solomon Islands (SOI), Samoa</p> <p><i>Priority area/ strategic results : Priority area/ strategic results</i></p> <p><i>Financial Inclusion: To reach 1,500,000 individuals with financial services by end of programme.</i></p>
<p align="center">Participating Organization(s)</p> <ul style="list-style-type: none"> Organizations that have received direct funding from the MPTF Office under this programme UNCDF UNDP 	<p align="center">Implementing Partners</p> <ul style="list-style-type: none"> National counterparts (government, private, NGOs & others) and other International Organizations <p>Regional financial service providers, Central Banks and/or Government Agencies in Fiji, SOI, PNG, Samoa, Vanuatu, and Tonga.</p>
<p align="center">Programme/Project Cost (US\$)</p> <p>for 2017 -2020: 21,263,527</p> <p>By Agency: Funded by the Joint Programme Account through 31 December 2018</p> <p>UNDP: US\$4,043,294 US\$ 5,621,542 UNCDF: US\$9,714,024 US\$ 14,409,185</p> <p>Other contributions (donors)</p> <p>Australia US\$3,665,889 New Zealand US\$3,624,597</p>	<p align="center">Programme Duration</p> <p>Overall Duration (<i>months</i>) 72 <i>months</i></p> <p>Start Date⁴ 01/07/2014</p> <p>Original End Date⁵ 30/06/2019</p> <p>Current End date⁶ 30/06/2020</p>

¹ The term “programme” is used for programmes, joint programmes and projects.
² Strategic Results, as formulated in the Strategic UN Planning Framework (e.g. UNDAF) or project document;
³ The MPTF Office Project Reference Number is the same number as the one on the Notification message. It is also referred to as “Project ID” on the project’s factsheet page the [MPTF Office GATEWAY](#)
⁴ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)
⁵ As per approval of the original project document by the relevant decision-making body/Steering Committee.
⁶ If there has been an extension, then the revised, approved end date should be reflected here. If there has been no extension approved, then the current end date is the same as the original end date. The end date is the same as the operational closure date which is when all activities for which a Participating Organization is responsible under an approved MPTF / JP have been completed. As per the MOU, agencies are to notify the MPTF Office when a programme completes its operational activities.

Total: US\$ 7,290,486

Programme Assessment/Review/Mid-Term Eval.

Assessment/Review - if applicable *please attach*

Yes No Date: *dd.mm.yyyy*

Mid-Term Evaluation Report – *if applicable please attach*

Yes No Date: *dd.mm.yyyy*

Report Submitted By

- Name: Liz Larson
- Title: Results Measurement Advisor
- Participating Organization (Lead): UNCDF
- Email address: Elizabeth.larson@uncdf.org

NARRATIVE REPORT FORMAT

EXECUTIVE SUMMARY

In October 2018 the Pacific Financial Inclusion Programme celebrated its tenth year of existence. A good moment to evaluate the programme's achievements, while also looking ahead at what challenges still need to be addressed. Together with over 120 participants from across the Pacific, Asia and Africa, the programme looked at global innovations in digital solutions aimed at increasing financial inclusion. And the possible implications of these new developments for the Pacific Financial Inclusion Programme, our private sector partners as well as Pacific Islanders, for who are we supporting the development of affordable and appropriate financial products.

Many Pacific Islanders still do not have access to formal financial services. According to the [demand side surveys](#) 41 percent of adults use a formal financial service. Which is far lower than both the global as well as the average formal access in developing countries, as revealed by data released in the Global Findex in 2018. Due to the design of the PFIP demand side surveys, we were able to compare the Findex data with data from the Pacific and see how the region stacks up to the rest of the world. A few interesting points stand out, which were shared in [a publication](#):

- Differences on access within the Pacific are large
- Pacific Islanders outperformed developing and global savings behaviour
- The use of mobile devices is not the main driver behind financial inclusion in the region.

I. Purpose

As mentioned, the overall objective of PFIP is to increase the number of low-income customers who adopt formal financial services. PFIP does this by providing performance-based grants to FSPs, conducting market research and providing technical assistance to policy makers and FSPs. The primary countries of focus of PFIP are Fiji, PNG, Samoa, Solomon Islands, Tonga and Vanuatu. PFIP is jointly administered by UNCDF and UNDP and governed by an Investment Committee comprised of donors, UN and local representatives.

The first phase of PFIP ended in June 2014. PFIP 1 surpassed the programme objective, reaching 687,620 underserved clients and engaging policy makers across the region in a campaign to formalize financial inclusion policy. PFIP has embarked on its second phase from July 2014 to 2020 with the goal to deepen financial access to an additional 1,500,000 previously underserved, low-income people in the region. As of December 2017, PFIP 2 initiatives have already reached over 2 million clients cumulatively. PFIP has three principal work streams: Regulation & Policy, Financial Innovation, and Consumer Empowerment.

United Nations Pacific Strategy (UNPS):⁷ In the UNPS, PFIP falls under “Outcome 3: Sustainable and Inclusive Economic Empowerment”. This outcome has the following outcome statement, “By 2022, people in the Pacific in particular youth, women, and vulnerable groups, benefit from inclusive and sustainable economic development that creates decent jobs, reduces multi-dimensional poverty and inequalities, and promotes economic empowerment.” This is measured by indicator 3.6 which is the, “Number of countries in which the percentage of the population with access to formal financial services has increased based on the latest available data⁸ (SDG 8.10.2)”

Sub-Regional Program Document (SRPD) (2018-2022) for Pacific Island Countries:⁹

In the SRPD, PFIP aligns with the regional priority of, “: Sustainable development that combines economic, social and cultural development in ways that improve livelihoods and well-being and use the environment sustainably. (SDGs: 1, 5, 8, 10, 17). This outcome level has multiple indicators, one of which is, “Number of PICTs in which the percentage of the population with access to formal financial services has increased based on the latest available data. The outputs of PFIP fall under Output 3.3, “National financial inclusion policies and strategies in place and implemented to expand access to financial services for rural and low-income women and youth”.

⁷ In the Pacific, the UNDAF has been renamed UNPS.

⁸ Tier I

⁹ This is the guiding document for UNDP in the region.

II. Results

The insights gained from the programme confirm the legitimacy of the Pacific Financial Inclusion Programme, despite the fact that over the last ten years, the programme has been able to provide more than 2,149,660 people with formal access to financial services.

Results Pacific Financial Inclusion Programme *as of December 2018*

- 1,462,040 people enrolled (phase II)
- approx 40% of these new customers to formal financial services are women
- 32% of people used one of these products in the last 30 days
- 33% used it in the last 90 days
- 2 sustainable business models
- 14 innovations scaled
- 28 projects undertaken
- 5 active National Financial Inclusion Taskforces
- 3 countries with a in the financial education curriculum

All of these outcome indicators are on track, except for the number of female customers onboarded. Access for women remains a challenge, which is why the programme has reaffirmed this focus by integrating how projects will target and impact women from the project design phase. Active usage of products also remains a challenge. Throughout our portfolio, we are trying to assess this issue by developing use cases that add value to people's lives. And by increasing access points through which people can make use of these products. The programme aims to increase access by hooking on to already existing infrastructures, as well as creating new digital access channels. More information on these solutions are provided in the individual country updates.

i) Narrative reporting on results:

FIJI

Project Updates

In Fiji, the Pacific Financial Inclusion Programme continues to work with the private sector and government counterparts to build a digital ecosystem. To create an environment where Fijians rely less on cash in their daily lives. Because a transition to digital has the potential to save people time, increase their sense of security and allow them to better manage their finances. That is exactly why PFIP projects in Fiji focus on increasing access and creating use cases that add value to users.

Vodafone Innovation Lab

Efforts to increase the access to digital services can for example be seen at the Vodafone Innovation Lab, where we are working to expand the network of 'mobile village agents'. The project has successfully found solutions for liquidity management of rural agents, as well as clearly establishing tailored use cases for agent customers. And has convinced the management of Vodafone that even though a rural agent network requires a re-oriented business model, it still makes business sense to serve rural Fijians.

In the next nine months the aim is to increase the number of these mobile village agents (up from the current 65 village agents), resulting in more than 350 access points where rural Fijians will be able to transact. To recharge their phone credit, buy electricity tokens and make voluntary contributions into their pension accounts for example. In the coming months we will share a lesson learned document, highlighting insights on agent and liquidity management gained during this project.

PacFarmer Application

The PacFarmer application is another way in which PFIP supports the creation of a digital ecosystem. After the launch of the app in 2018 our team is now increasing awareness and uptake amongst dairy and copra farmers in the country. Once a farmer downloads this app, they will not only receive weather updates, but also near real time info on their

sales. Besides these features the app provides a direct communication channel with their off-taker. Fiji Cooperative Dairy Company Limited for instance, has already reported a reduction on phone queries to their office.

In the months ahead, the team will test partial payments to the dairy farmers on their M-PAiSA mobile money account. In other UNCDF projects, for instance in Uganda, this has been a successful way to introduce digital payments. In phase two of this project, once a significant number of farmers use the app, farmers can also use their data to apply for credit at financial institutions. PFIP is also exploring opportunities of creating a credit facility for micro, small and medium entrepreneurs with HFC Bank, illustrating how product design envisions a full suite of use cases and opportunities for clients.

Digital Payments to Governments

'Person to Government' (P2G) payments are another good way of introducing digital payments. Leveraging the Fiji government's digital transformation programme, DigitalFIJI, PFIP is exploring opportunities for digital payments with the Land Transport Authority (LTA). This has the potential to increase the customer experience with LTA and improve their processing time.

An initial assessment was conducted in which several operational and payment processes at LTA were evaluated on their readiness to be digitized. The LTA has 21 branches throughout Fiji and many offices do not offer customers the possibility to pay digitally at the branch. Therefore there are ample opportunities for digitization of payments, a process that falls in line with the overall aim of the new LTA CEO, to completely digitize the LTA operations, including back office processes.

Explorations are also ongoing with the Ministry of Health and digital payments at its Colonial War Memorial Hospital. Ideally, such payments could be made using the E-transport card, supported by our programme through the Vodafone Innovation Lab.

Insuring Low-Income Fijians

Despite several challenges regarding customer awareness that the team is currently tackling, the bundled insurance product by FijiCare with support of Pacific Financial Inclusion Programme, is one of the most remarkable results of last year for the programme.

First of all, the product is already financially sustainable. This is important, not only for FijiCare, but for our programme as well, as it proves that de-risking investments for this relatively small insurance player in the Fijian market paid off and that there is a value proposition for this private sector partner in developing a product for low-income populations.

In the months ahead, FijiCare will upgrade its operations to smoothly handle the administration and claims submitted by their significantly increased customer base. The company has already hired six additional staff, including one of the programme's former UNV staff, who has been supporting the project implementation. After streamlining and digitizing the back-office operations, adding additional customers such as taxi drivers, informal market vendors, private sector employees and other Government bodies will become a priority.

So far, 106,700 civil servants and welfare recipients are covered by the bundled insurance, as well as 11,606 sugarcane farmers, 258 dairy farmers, 197 rice farmers and 173 copra farmers. And in the next months, FijiCare will have paid out claims worth over 2 million Fijian dollars to beneficiaries, enabling low-income Fijians to better cope with economic shock.

Efforts are also continuing to increase the product awareness amongst the customer base. Results from a survey amongst sugar cane farmers in December 2018 show that farmers need to learn more about the benefits of insurance and the specific FijiCare product if we want them to start paying for the insurance themselves. The Sugar Cane Growers Fund (SCGF) has indicated to pay the insurance package for its members for a period of three years. Therefore, members might have to start making contributions themselves by July 2020. For that reason, tweaks are made to existing awareness materials, such as translating information in Hindi and increasing collaboration with '*sardars*', group farmer leaders, who can promote insurance.

The programme has also conducted additional research on the possibility of developing an insurance product especially designed for fishers in Fiji. Promising results have been shared with the major insurance companies and we will continue to explore opportunities for such a product.

PAPUA NEW GUINEA

Project Updates

Papua New Guinea is one of PFIP's most challenging programmatic environments and at the same time, it has the highest potential for large scale, and commercially sustainable projects. The most notable achievement over the reporting period is the groundwork that was done to create a dynamic, robust pipeline for early 2019, likely the last round of substantial new projects in PFIP 2, for which several PADs are being submitted in Q1 2019.

The APEC conference has brought renewed attention to financial inclusion and provided the opportunity for the programme to showcase its work on Innovation Labs and financial education.

Given the addition of several new staff, plus the strong pipeline, the coming year has good indicators of success.

Westpac Bank Innovation Lab

The project in Papua New Guinea with Westpac did not go as anticipated. The project started in mid of 2017 and has learned to adapt and iterate in order to deal with challenges it faced along the way.

Customer onboarding process

Getting people to open a Choice Wantok account proved to be challenging on the ground, for example, because the actual on-boarding process was cumbersome and took too long. The process involved multiple steps, whereby Westpac was required to visit customers at least two times ('two-touch'). In order to open an account, Westpac needed to:

1. Collect paper-based application forms from new customers in rural communities.
2. Enter the customer information into the core banking system for account opening, back at the Innovation Hub (Westpac Office in Mt. Hagen).
3. Print ATM cards in Port Moresby, and ship these back to the Innovation Hub along with the PINs, which are sent in two separate batches.
4. Organize visits to the same community and distribute the ATM cards and PINs.

Tweaks were made to reduce the contact points in this process, leading to a more streamlined onboarding and a reduction in costs.

Geographical coverage

The initial pilot was ambitious and aimed at increasing access for many people in rural areas. However, Papua New Guinea is geographically one of the most challenging countries in the world and the acquisition costs for servicing remote communities proved to be too challenging for the initial stage of the pilot. A great deal of time was invested in reaching these new customers, which in combination with the 'two-touch' onboarding process, was too complex. Therefore, the project scope was reduced.

New team members

The project team had to deal with several changes in management during the course of the pilot which caused delays in project implementation.

Lessons learned

Since the project launch, the team has been able to drastically shorten the onboarding process for example. Customers can register on the spot and instantly receive their new Choice Wantok banking card.

There are now separate areas where women can sign up, assisted by female sales team members. This is because the team noticed that not all women felt comfortable signing up, due to cultural norms. Some of them were told that they should not be there to sign up in the first place or that they should be taking care of the household instead. The number of women that signed up for their savings account increased after introducing a separate line for female

customers. These iterations are aimed at increasing impact and any progress made in the next months, will determine how best to move forward with this project.

MamaBank Access Points with Women's Micro Bank

This project aims to increase access to financial services for new and existing Women's Micro Bank Limited (WMBL) members through the use of additional access points.

After launching in March 2018, the project has moved ahead on multiple aspects in preparation from the Mama Bank Access Points (MAPs) roll out. However, there were delays in the technology integration of the biometric solution. This integration was finally completed in December 2018 and the first biometric registration of new customers started in Jan 2019.

The pilot extends across six locations in the country. Using a low-cost structure with two staff at each access point, new customers are onboarded with a biometric solution and a tablet-based banking application, which can also handle basic banking transactions.

With this new system, Women's Micro Bank anticipates the increase of its active customer base by 150 percent, to 20,000 women. Due to the delay in launching the biometric system, initial data will be reported in next quarterly report.

Financial Education

The financial education (FinEd) agenda in Papua New Guinea continues, both through the existing project with Kamiliki TVET and with new pipeline initiatives. The Western Highlands Provincial Government signed a letter of exchange with PFIP in July 2018 to bring the FinEd curriculum to other TVETs in the region. By the end of 2018, teachers were already implementing four of the seven existing modules, and 500 students received the training, from the eight trained teachers. There has been flow-on teaching to other teachers in four institutions that have implemented the programme, and more in-depth teacher trainings are planned in the first quarter of 2019.

Teachers in these institutions tend to be local tradespersons, and the students are mostly youth engaged in subsistence agriculture. By conscious design, this new partnership represents a slightly different approach than previous FinEd initiatives; it is more deeply co-implemented, embracing the vision that both provincial Governments and partner TVETs should be in the drivers' seat from the start. Other conversations are ongoing on how to expand this work, including through digitization of the curriculum.

The Kamiliki partnership officially came to a close in December 2018. Results are currently being analyzed. The curriculum reached over 900 students from 50 trained teachers in 2018, and is expected to reach over 1,000 students, from a cross-section of provinces in Papua New Guinea in the coming year.

SOLOMON ISLANDS

Project Updates

Given Solomon Islands' relatively small population, just over 611,000 in 2017 according the World Bank, and the many islands of the country, providing access to financial service in a commercially sustainable way is a more than significant challenge. PFIP has managed to position itself strategically amongst relevant stakeholders in the country, to jointly find scalable solutions. Some of the programme's more successful pilot projects are now scaling up.

Voluntary Pension Savings with youSave

One such example is the project with the Solomon Islands National Provident Fund (SINPF) micropensions product; youSave. By the end of 2018 over 6,100 customers are voluntarily saving for old age with youSave (54 percent of these customers are women). Jointly, over SBD 3.8 million (~USD 466,776) was saved. Deposits into their account can be made at 36 agents in three provinces.

Of these savings, 21 percent were made digitally. Unfortunately that is below the initial project target of 40 percent. Currently, the majority of people bring money to the SINPF office, where they have to queue to make their deposits. SINPF is continuing its efforts with market drives to onboard customers as well as allow them to make deposits.

To further ease the onboarding of new customers, a biometric system that enables quick registration has been developed and is being implemented. Efforts are now focused on how to further increase the uptake of youSave.

One of the challenges identified, is the limited amount that people save once they have signed up for youSave. To encourage more regular savings behaviour, the programme has identified using mobile airtime to do just this, as a potential solution. As most people in Solomon Islands already regularly use airtime to recharge, and because there is no mobile money product yet in the market, using airtime to make installments in a youSave account, seems a viable alternative. All stakeholders involved, such as MNO's, SINPF, PFIP and CBSI, are willing to give this a try and the Inland Revenue Department has given a one-year tax waiver on payments for the purpose of this pilot.

This goes to show that the regulatory environment is encouraging further experimenting in order to create products that will financially include Solomon Islanders. And, over the past years, the programme has learned that the success of new products and services, such as youSave, highly depend on the involvement, ownership and commitment of the various project partners.

Lessons learned from this pilot were also shared with a team from Vanuatu, that is exploring the development of a similar product for the island.

Paying for School Fees with ANZ goMoney

Another project that has gone into scale after a successful pilot is the option for parents to pay their children's school fees digitally.

Project partners; ANZ Bank, who provides the payment platform, and Premiere Group of Companies, the implementing partner, are currently onboarding new schools in Central province and Malaita province. 39 schools should accept payment through the goMoney channel by ANZ Bank by the end of 2019.

Efforts are ongoing to teach schools how to use the online banking platform and how to reconcile payments made by parents. Parents are also being taught how to make the transfer, to add the invoice number, or the student number while making the payment.

All classic benefits of digital payments can be seen in this project. Digital payments mean less time travelling, spend less time queueing at a bank branch, less worries about losing the money along the way, when for instance asking their children to make the payment. For schools the accountability increases, security increases as there is less cash handling and they are able to manage their activities better due to a more regular cash flow, rather than high peaks a few times per year.

In the months ahead, focus will be on increasing awareness on this digital payment mode. Exploring closer partnership with the Ministry of Education for example, as well as marketing campaigns that will ensure parents are ready to make digital payments in time for fees that are due for the second semester, starting in July. The addition of use cases on the ANZ goMoney platform will also boost overall usage.

Digitizing Payments to Coconut Farmers

The programme is also testing the creation of a complete digital ecosystem with suppliers of coconut oil. Farmers selling their produce at coconut oil processors and the smaller processors below them, have the option to receive their money digitally.

Once these farmers for instance on Malaita province receive part of their sales on goMoney, they can use this digital money to pay for the school fees of their children with goMoney. They can also deposit savings into their youSave account, as well as buying phone top up, buying groceries at a nearby shop and sending money to family and friends.

Currently, over 300 farmers are getting their pay on goMoney. PFIP, together with ANZ Bank have successfully convinced network operator Our Telekom to boost its network in strategic areas, as the goMoney platform only

operates on their network. This increased access, especially in rural areas, will boost further uptake of the goMoney platform.

Paying Taxes Online

While PFIP is exploring the digital payment of utility bills onto mobile platforms such as goMoney (adding on more use cases that will boost this digital ecosystem), the programme has already successfully digitized one Person to Government (P2G) payment stream with the Department of Inland Revenue as they launched their online tax filing and payment platform in 2018.

To further spur these payments the programme has onboarded a dedicated UNV staff to support companies to pay for their taxes with the use of this new platform. So far, two of the biggest tax agents, who file taxes on behalf companies are already onboarded. These agents have onboarded all of their 180 businesses so far. In the months ahead, the projects aims to onboard other tax agencies.

For the next phase of the project, a decision will have to be made on whether or not the project partners will also focus on the onboarding of individuals to file their taxes online. Nonetheless, the overall objective of the project, the modernization of the tax payment system, has successfully been achieved.

FinEd with the Anglican Church of Melanesia

After signing a letter of agreement with the Anglican Church of Melanesia (ACOM) in 2017, PFIP finished the year-long pilot for development and delivery of FinEd curriculum with the Waikato Institute of Technology in Solomon Islands. The results of this pilot are exciting both for the success of the pilot itself, and the continuation to which that success may point. Most notably, the project was completed ahead of schedule, proving an aggressive schedule was possible in less than a year. This success was due in large part to the appetite and interest from ACOM. The programme is also working with the ACOM in the digital school fee payment project, as ACOM has several schools in the country.

REGIONAL: SAMOA, TONGA, VANUATU

Project Updates

After much gestation and a soft launch earlier in the year, two key projects made significant headway over the period in Samoa. The National Bank of Samoa's and Apia Insurance Company's Innovation Labs. The two projects represent the first significant engagements in Samoa for digital financial services and insurance under PFIP's second programme phase.

During the reporting period PFIP remained engaged in the policy arena, by supporting the National Financial Inclusion Taskforces on their various agendas in Samoa, Vanuatu and Tonga.

The challenges over the period remain as they have been in the past: how to address the ongoing problem of a lack of appropriate partners in the region. PFIP's project ideas do not often have the willing partners to lift them off the ground. The consumer base is small and the infrastructure sub-par.

Funeral Insurance with Apia Insurance Company

In 2018, PFIP and Apia Insurance Company (AIC) launched the first ever funeral cover insurance in Samoa, both for individuals and groups. After a soft launch in July, the official launch was hosted in October with NZ High Commissioner, Mr Nick Hurley as the keynote speaker.

AIC conducted further pricing and product testing to refine the insurance policy. There are now 111 policy holders and a group policy also now exist and will be promoted in the coming quarter. In 2019 AIC will also develop an improved customer onboarding process using tablets supplied by PFIP that allows remote customer registration in partnership with banks and MNOs. Initial discussions are underway with the ANZ Bank, National bank of Samoa and Bluesky for the first group coverage.

Innovation Lab with National Bank of Samoa

This project aims to design, test and validate the hypothesis that National Bank of Samoa can leverage Digicel's

mobile money infrastructure to improve the adoption of low-cost digital financial services, through offering savings-linked remittance product in Samoa.

After a slow start, the NBS Innovation lab launched its first product, Ezibank in partnership with Digicel in the last quarter of 2018. The October launch was an important moment in the Samoan market, because it was the first time an MNO and bank joined hands to launch a product after completing technical integration of their systems. Customers are now able to view their bank account balances on their mobile phones, transfer funds from their NBS bank account to phone and transfer funds from their Digicel mobile money account to their NBS bank account (push/pull).

Beyond the push/pull function, the original intended use case for Ezibank was largely to facilitate the savings of incoming remittances. This aspect leverages Digicel's partnership with KlickEx to facilitate remittances onto one's Digicel mobile money account. The recipient is then able to save part of their remittances onto an NBS saving account through Ezibank. The performance of this product has been affected by our assumptions about the ease of uptake surrounding the remittance function. There were also implications with the unforeseen problems with the KlickEx relationship. KlickEx was forced to go offline for a period of time in November due to AML concerns on the part of the banks.

Furthermore, Digicel shows lackluster interest in putting effort in building their agent network. Down from 10 agents in the past years, Digicel now only has 3 agents left and still the cash and liquidity management with these agents, which caused this reduction remains a challenge. During the PAD development phase, Digicel committed to establishing 25 agents, but this commitment is yet to be fulfilled. These factors had significant implications for the uptake of the intended use case surrounding international remittances on Ezibank. With the Lab manager now gone, and Digicel's motivation for new onboarding new agents low, the next tranche is being withheld until such time this will be addressed.

Despite these challenges, the agenda for Ezibank is still hopeful. A new Innovation Lab manager will start in March 2019. Discussions are also underway to partner with Bluesky, the other main Samoan mobile network operator.

Digital Innovation with National Bank of Vanuatu

The digital banking project with National Bank of Vanuatu was formally launched in the second half of 2018, the project is well underway now. Over 4,000 existing manual passbook accounts have already been converted into digital accounts and issue of ATM/EFTPOS cards to customers is on track. Already more than 2,000 additional new customers have been onboarded as well. NBV is also testing a smartphone application, set to be launched in March 2019. Specific target segments include seasonal workers going to Australia and New Zealand to allow them to send remittances into a local accounts at low fees and no impact of exchange rates.

NBV has also agreed to be a partner for the PFIP led Pacific ASEAN Financial Innovation Challenge with the aim of developing a solution for a digital credit product for the MSME sector. This is planned to launch in Q1 2019.

Mobile Money with Telecom Vanuatu Limited

The Telecom Vanuatu Limited (TVL) PAD was approved by the PFIP IC in the second half of 2018. The project has since been set up and was officially announced at an event held at the Reserve Bank of Vanuatu on 10th October. The Deputy Governor of RBV and the New Zealand High Commissioner to Vanuatu H.E. Jonathan Schwass participated. The project plans to replicate the successful Vodafone Fiji M-PAiSA product through the sister company TVL in Vanuatu.

The technical integration of mobile money platforms is underway, and the product will be ready for testing in Q1 2019. Meanwhile TVL has applied to RBV for necessary approvals expected to be granted very soon. Named M-Vatu, the mobile money product will be the first of its kind in Vanuatu, planned use cases include remittances (domestic and international), payments for utilities, microinsurance, airtime top-up etc., while target segments include small holder farmers, women and migrant workers going overseas for seasonal employment.

Informal Sector micro pensions with Vanuatu National Provident Fund

Replicating the successful micropension project with Solomon Islands National Provident Fund, PFIP and VNFP decided to partner to explore the feasibility of introducing voluntary savings towards superannuation leading to micro pensions for the informal sector in Vanuatu. As is the case with other Pacific countries, Vanuatu too has nearly 80 percent of its population in the informal economy- small holder farmers, fishers, market vendors, casual workers etc.

Although economically active, presently they do not have access to any form of superannuation to provide for financial security at their old age.

With the support of technical consultants Blue Print Pension services, PFIP using its UNVs and local support from VNPF staff, completed the field surveys covering over 300 respondents across four provinces of Vanuatu as part of the feasibility study. The study clearly pointed to the demand for a superannuation savings product by the informal sector.

PFIP has since developed a PAD, expected to be finalized in Q1 2019. Besides Fiji, Solomon Islands and PNG, Vanuatu will become the fourth country where PFIP has engaged superannuation service providers representing a growing body of work on micro pensions in the region, and with keen interest from other PICs to join their path, including some of the smaller ones like Kiribati and Cook Islands.

Vanuatu and Tonga National Financial Inclusion Strategy

The Vanuatu National Financial Inclusion Strategy (2018-2023) was launched in March 2018, PFIP had supported the development of the strategy and provided technical assistance for the functioning of the National Financial Inclusion Task force and the working groups. In Tonga the draft NFIS was prepared by PFIP in collaboration with the National Reserve Bank of Tonga, and now is awaiting clearance from the Government of Tonga for formal launch.

Expansion to new Pacific Countries

The programme's investment committee accepted a proposed expansion of support by the programme to Kiribati. Following this, a technical mission to conduct a financial sector gap analysis took place and results were shared with Government of Kiribati for review and feedback. A final report was drafted, incorporating inputs from country stakeholders.

The PFIP investment committee also approved grant support to ANZ Bank in Kiribati for expanding its flagship financial literacy training 'Money Minded' to new island groups and aims at reaching 5,000 i-Kiribati. Part of the support is also for ANZ Bank to launch its internet banking and other technology based solutions for small businesses and individuals.

Following specific request from the United Nations Resident Coordinator and the UNDP Resident Representative of Timor-Leste, PFIP undertook a scoping mission in Oct 2018, met relevant key stakeholders; the Central Bank, Ministries, donors and development partners, financial service providers, telecommunication companies and other UN agencies. PFIP assessments points to a strong interest from country stakeholders to have a PFIP lead financial inclusion programme. The programme has received UNCDF core funding to start this project in 2019.

Test Mobile Payments with Electric Power Corporation

Electric Power Corporation (EPC) of Samoa has been undergoing a massive system upgrade for the majority of 2018. The upgraded system promises to allow integration of third party payment systems, previously not possible. PFIP is facilitating initial discussions between the Electric Power Corporation, Samoan Banks and mobile network operators to see how electricity payments can be settled digitally.

Describe any delays in implementation, challenges, lessons learned & best practices:

Avoid Orchestrating a Use Case

Take the case in Samoa for instance where the intended use case behind a product was too specific in its conceptualization. The desired use case was a bit too complicated for the market at the time, and more simple use cases would need to be conquered and proven first, before advancing to more complex patterns of usage. When the market speaks, through this kind of directly observed behaviour, it is best to follow it and adapt. The application of human centered design, as used in the various innovation labs, needs to be integrated in the product design phase.

Informal Relationships Matter and Take Time

While the programme team may have a clear vision for a project, as well as the ways we want it to happen (including timelines!), the reality of achieving the buy-in from all the necessary players may take longer than desired. For example, the NASFUND work in Papua New Guinea requires the substantive support of not only the implementing

partners, but also the policymakers. Getting these players on the same page required a gestation period longer than we are used to when working with private sector partners.

Because the markets where we operate are small, with relative few potential stakeholders active in these markets, the establishment of good relations are crucial for the buy-in and eventual successful implementation. In each country the programme invests in establishing a good reputation as well as a solid network in which to operate.

Green is Happening

There is a proliferation of clean energy initiatives across the Pacific as the dialog about the urgency of climate change intensifies, and as South Asian based solar companies seek new markets. As a result, green finance is naturally finding its way into PFIP programming, especially the envisioned next programming phase. The programme will report on this in the next quarterly report.

Still Building Rails

While many projects in the PFIP portfolio focus on the development of innovative digital financial services, aimed at adding more sophisticated use cases, in many parts of the countries where we work, basic access continues to be a challenge. Due to small market sizes and low populations numbers, basic infrastructure in many places remains limited. Rails are not universally laid in remote areas of the Pacific. So, while at the same time looking ahead, anticipating the rise of smartphones, digital IDs and super platforms, PFIP should continue to invest in the development of basic infrastructure. The development of agent networks for example, or the development and uptake of digital mobile wallets, using simple USSD menus.

ii) Indicator Based Performance Assessment:

Using the **Programme Results Framework from the Project Document / AWP** - provide an update on the achievement of indicators at both the output and outcome level in the table below. Where it has not been possible to collect data on indicators, clear explanation should be given explaining why, as well as plans on how and when this data will be collected.

	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Objective Indicator Indicator: Number of people enrolled Baseline: 687,620 Planned Target: 1,500,000	1,462,040	On track to achieve	PFIP Quarterly Data Collections
Objective Indicator Indicator: Number of people enrolled, women Baseline: 47% Planned Target: 50%	40%	Much of the overall numbers are achieved through insurance policies which tend to be less attractive to women.	PFIP Quarterly Data Collections
Objective Indicator Indicator: Number of viable business models Baseline: 0 Planned Target: 4	2	On track to achieve	PFIP Quarterly Data Collections
Objective Indicator Indicator: Number of enrolments, active in 30 days Baseline: n/a Planned Target: 50%	32%	Original target of 17% was too low, it was later adjusted to 50% which is likely too high	PFIP Quarterly Data Collections
Objective Indicator Indicator: Number of projects Baseline: 0 Planned Target: 30	27	On track	PFIP Quarterly Data Collections

Objective Indicator Indicator: Number of projects with client segmentation Baseline: 0 Planned Target: 11	11	Achieved	PFIP Quarterly Data Collections
Objective Indicator Indicator: Number of innovations scaled Baseline: 0 Planned Target: 14	14	Achieved	PFIP Quarterly Data Collections
Objective Indicator Indicator: PICs with FI Strategies Baseline: 4 Planned Target: 5	5	Achieved	NFIT Membership
Objective Indicator Indicator: Number of Active NFIT Baseline: Planned Target:	5	Achieved	NFIT Membership
Objective Indicator Indicator: Number of key policy commitments Baseline: 17 Planned Target: 23	17	On track to achieve	NFIT Membership
Objective Indicator Indicator: Number of countries with FinEd curriculum Baseline: 1 Planned Target: 3	3	Achieved	Partnership documents

Objective Indicator Indicator: Number of FinEd projects Baseline: 1 Planned Target: 5	5	Achieved	Partnership documents
--	---	----------	-----------------------

III. Other Assessments or Evaluations (if applicable)

- The end of programme evaluation is scheduled for Q2 and 3 2019.

IV. Programmatic Revisions (if applicable)

- n/a

V. Resources (Optional)

The team of the Pacific Financial Inclusion Programme was expanded during the last six months of 2018.

UN Volunteers and Interns

In Samoa and Vanuatu the programme's efforts are being led by two ambitious International UNVs; Iris Kissiti from Uganda and Edwin Mensah from Benin. The programme is currently exploring the opportunity to replicate the successful use of an International UNVs in Tonga.

PFIP completed a scoping mission to Timor-Leste, meetings with various stakeholders were held, opportunities and challenges identified. The plan for setting up a joint programme with the UNDP country office is mapped out and core funding from UNCDF has been allocated to recruit international UNV to engage with stakeholders.

To address the limited staff capacity in the Papua New Guinea office, the programme recruited an International UN Volunteer, Eric Sena Morttey from Ghana, who joined in October and is supporting various projects including the high-profile Westpac Innovation Lab. Three local interns joined the team in PNG for six months and will be engaged in supporting work with WMBL's Mama Access Points. They will support the bank's team in driving marketing and sales to push customer on-boarding and engagement. Where needed, they will also support the PFIP country team on other projects.

In Solomon Islands local UNV Talei Tupou is supporting the Inland Revenue Department in their ongoing efforts to promote and ease companies to file their taxes the digitally.

In Fiji, Aditi Trivedi, a DFS specialist joined as International UNV and will support various PFIP partners with their project implementations. She is joined by a team of six local UNVs who are supporting the projects on the ground, such as awareness for the bundled insurance product and the PacFarmer App, besides providing support to some of the regional projects.

Knowledge Management

In the last six months of 2018 Naomi de Groot joined the programme as the knowledge management specialist. Together with Financial Inclusion Specialist in each country, a plan was developed for the creation and dissemination of knowledge products, as well as an overall strategy to ensure lessons learned are shared internally as well as with the wider UNCDF. This is in line with an overall UNCDF effort to increase the collection of tacit knowledge of teams and share lessons learned across the agency.